

MEMORANDUM FOR: The Director

Attached is the paper we discussed yesterday for your upcoming meeting with Secretary Shultz.

Paul V. Walsh
ADDI

Attachment

cc: DDCI

19 Oct 1973
(DATE)

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October 1973

TALKING PAPER

SUBJECT: Economic Intelligence Policy Support

The Government's growing concern with foreign economic policy questions is having a major impact on the intelligence community. The need for research and analysis of foreign economic activities has caused a sharp increase in the demand for intelligence support. This demand has brought about some changed emphasis in both our program efforts and the environment in which we do business.

Providing intelligence support on economic questions is quite different from providing support on military and political matters. The number of our consumers dealing with foreign military and political questions is quite limited and relationships with them are well-structured and very direct. In addition, many of these consumers have intelligence units that are members of the intelligence community. The community dealing with foreign economic matters, however, is quite large. They are more loosely organized and a good number of them are not members of the intelligence community.

As a result, we find it more difficult to provide the kind of systematic and organized support that is essential to effective intelligence support. The role that intelligence plays becomes highly dependent on which member of the economic community has the main policy action and the types of relations that we have established with it.

I feel that one of the keys to effective intelligence support is the extent to which we have developed close ties with the economic policy maker. I perceive this to be a two-way street. CIA needs to expand its links to the policy maker in order to increase its awareness of his intelligence needs; the economic community needs to become a more active consumer of and participant in the intelligence support process.

I have considered several steps that will help to achieve these closer relationships and enable intelligence to play a more useful role. Some of the steps I can initiate myself; others will require your endorsement and support.

I am reasonably satisfied with the extent to which CIA officers have developed close links with high-level policy makers in most departments. I believe, however, that there are two

specific groups with which our linkage is too indirect. These are the Council on International Economic Policy (CIEP) and the Volcker Group. I believe that the contribution of intelligence to the critical economic policy questions of the day would be significantly improved if the intelligence community had more direct access to the deliberations of these groups. I propose to meet soon with Peter Flanigan to discuss closer participation of the intelligence community in the deliberations of the CIEP and its subordinate groups. I would appreciate your assistance in obtaining Observer status for CIA on the Volcker Group. Such a move would be mutually beneficial. It would make the Volcker Group more aware of our support capabilities and make us more aware of its interests and needs.

To foster closer cooperation between the economic and intelligence communities in the production of policy-related papers, I believe several improvements are in order. I have directed my staff to follow more closely the scheduling of Study Memoranda commissioned by either the NSC--NSSMs--or the CIEP--CIEPSMs

so that intelligence inputs can be made to them. When Study Memoranda are on major issues on which intelligence can make particularly significant inputs, I shall direct the USIB to prepare a National Intelligence Estimate to be incorporated as an integral part of the Study Memorandum.

In order that the intelligence input on foreign economic policy questions is of maximum usefulness and reliability, I will take the following steps to ensure greater participation by members of the economic community. They will be invited to participate actively in the drafting of Study Memoranda and National Estimates. I shall also invite appropriate representatives of the economic community to participate fully in USIB consideration of National Estimates on economic questions.

4 October 1973


MEMORANDUM FOR: Director of Central Intelligence

FROM : Associate Deputy Director for Intelligence

SUBJECT : Economic Intelligence Policy Support

1. The attached memorandum is a study prepared by Maurice Ernst on the general state of affairs in the field of intelligence support to economic policymakers and suggestions for improvements therein. Ed and I believe this is a good accounting of the problem and agree with Maurice's recommendations.

2. After you have had a chance to read the papers, I would like to meet with you to discuss how you wish to proceed. The papers could be recast as a memorandum from you to Secretary Shultz and others in the form of a proposal for closer support. Alternatively, you may also wish to simply use this to derive a talking paper for a meeting with Shultz. Finally, you may also wish to have some kind of paper for a discussion at an early USIB meeting. Whichever way you choose to go, we shall be glad to prepare the necessary papers.


PAUL V. WALSH
Associate Deputy Director
for Intelligence

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Attachment

cc: Director/OER

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3 October 1973

MEMORANDUM FOR: Director of Central Intelligence
VIA : Deputy Director for Intelligence
FROM : Director of Economic Research
SUBJECT : Intelligence Support of Policy Studies

1. The attached memorandum examines the links of economic intelligence production to economic policy. It examines some of the weaknesses in our foreign economic policymaking process and indicates how the economic intelligence community has adapted to provide support in this field. An information memorandum is also attached that provides additional detail on CIA's foreign economic policy support role.

2. The memorandum lays out three approaches to increasing the effectiveness of intelligence support for economic policy:

A. further expand direct CIA links to policymakers

B. create a separate economic USIB

C. use the new NIO/NIE mechanism to prepare economic estimates and tie these more closely to policy studies.

3. I recommend that you agree to a combination of options A and C. To be effective, these approaches would require your taking the following actions:

a. Arrive at an understanding with Secretaries Kissinger and Shultz and Mr. Flanigan on linking intelligence assessments more closely in subject matter and timing to policy considerations and studies.

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b. Seek support from Secretaries Kissinger and Shultz for inviting appropriate non-USIB economic agencies to attend USIB meetings concerned with economic estimates in their areas of interest.

c. Seek formal observer status for CIA on CIEP from Mr. Flanigan and on the Volcker Group on monetary affairs from Secretary Shultz in order to enhance intelligence support for economic policy formulation.

*with
Proff...*

MAURICE C. ERNST
Director
Economic Research

Attachments:

- A. Intelligence Support of Policy Studies
- B. CIA: Foreign Economic Policy Support Role

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MEMORANDUM

SUBJECT : Intelligence Support of Policy Studies

The Existing Situation

The fragmented state of the foreign economic policymaking process in the US government makes it exceedingly difficult for intelligence to provide systematic, organized support in this field. Creation of the Council on International Economic Policy (CIEP) has not brought order, rather it has added another player to an already crowded game. International economic policy is now formed around several poles: the NSC, the CIEP (which gets subordinated to the NSC, as is usually the case when political questions loom as large as the economic matters involved), the Treasury Department, and to a lesser extent the State Department and Agriculture. The undoubted leader in this field is Secretary Shultz, but, unlike Secretary Kissinger, Shultz does not have a staff apparatus to support him and to monitor the bureaucracy. In a sense Shultz relies on some of the executive staffs, particularly OMB and the CEA, as well as on high-level Treasury officials, to control the policymaking process. The system, however, does not work smoothly.

In this environment the role of intelligence varies greatly depending on who has the main policy action. Where the NSC has the main action an intelligence input is almost always requested. CIEP, whose membership does not include CIA, frequently requests intelligence support, but unlike Peterson, Flanigan likes to operate very informally, so that our support is most often in the form of background information rather than a formal contribution to a policy study. Treasury almost never requests intelligence support in the monetary field, although it sometimes does so in other areas of study, such as international commodities and LDCs. State, which continues to chair most of the formal inter-agency studies concerned with economic policy, calls on CIA fairly frequently, usually through INR, for information and contributions. Various executive staffs, especially STR and CEA, have leaned heavily on CIA for intelligence support on a wide range of issues. CIA has been relied upon to provide quick information, independent analysis, and on occasion in-depth research. For example, all these kinds of support have been requested by NSC in our follow-on support to NSSM 174, National Security and the US Energy Policy.

The Economic Intelligence Community

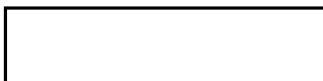
Unlike military and political intelligence, the economic intelligence community has only one major player -- OER. DIA

is on the periphery of economic intelligence, concentrating on such matters as transportation and production of military hardware. State/INR is in the midst of expansion and its capabilities are increasing.

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It remains small, however --

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-- and most of its production consists of brief commentary

on current events. INR provides an important service to State policy-level officials but has only a limited capability for research support to other departments or the executive staffs. INR's contributions to NSSMs are generally small or nil, and are sent directly to the State policy desks. Treasury does not produce finished economic intelligence and is not likely to soon develop the capability of doing so. Its substantive contribution to intelligence must come from the policy desks, and is, therefore, unlikely to diverge from the current policy line.

There exists a substantial economic research capability outside the intelligence community, notably in the Federal Reserve Board and in the Department of Agriculture and, to a lesser extent, in the Department of Commerce.



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The Problem

The present fragmented state of foreign economic policy-making has unfavorable effects: in particular, policy papers often are poorly thought out and drafted, with the political bias of the drafter being reflected in the assessment of the problem as well as in the definition of policy options.

The major role of intelligence in the preparation of policy studies is providing perspective, objectivity, and careful, precise drafting of the issues that require policy decisions. Although some policy studies are well done, many are a pot pourri of departmental interests, are much too long, contain too much unnecessary detail, and are poorly integrated. The basic weakness of the NSSM/CIEPSM

system is that no one is able to impose quality standards on the product. Another weakness results from assigning drafting responsibility for various topics to the policy departments most concerned, even though they may not be the most knowledgeable.

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Finally, because the best people in the policymaking departments are extremely busy, they usually assign much less competent people to draft policy papers.

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a more useful, concise, and clearly thought out identification of the problem. Even though differences over estimates could not have been avoided, at least it should be possible to pinpoint and clarify them, and thereby to avoid entangling the estimates with the policy options.

In addition, some CIEPSMs, especially those chaired by the Operations Group at State dealing with foreign economic matters, have been prepared with little or no direct CIA participation.

Options to Consider

There are basically three ways intelligence support for policy studies could be increased: by further expanding direct CIA links to policymakers; by creating an economic USIB; and, by making greater use of the new NIO/NIE mechanism to prepare economic assessments and to tie these more closely to policy studies. These three approaches are not exclusive, however. More than one could be pursued at the same time.

1. In an unstructured policy environment, direct CIA links to policymakers are indispensable. OER has developed close contacts with high-level policymakers in most departments, and is frequently called upon not only for its expertise, but also to provide independent judgment on matters of disagreement between agencies, most often State and Treasury. Because they have to cope with

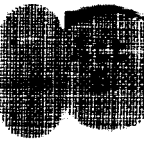
conflicting views, the executive staffs, notably NSC and CIEP and CEA, often look to OER for support. But, there is still much to be done to convince Under Secretary Volcker and his assistants as to the usefulness of intelligence support.

2. A major problem in creating an economic USIB would be to obtain agreement on who would provide the chairman and staff. An economic USIB has been proposed on at least two occasions by the State Department. Most recently, Under Secretary Casey suggested such a body be formed under the CIEP Operations Group or as an independent body under CIEP. State favors the former option because the Operations Group is chaired by State and State provides its staff. The executive secretary of the Operations Group is a senior member of State's Policy Planning Staff, which has written several CIEPSMs. The State proposal generated no interest elsewhere, probably because Treasury and others are opposed to enhancing State's role in economic policy. By the same token, Treasury chairmanship would be opposed by State and CIEP and it is unlikely that Treasury could provide the necessary staff. Nor would it appear that CIA would wish to enter this contentious arena by seeking the chairmanship of a separate economic USIB. Probably the only way out of this impasse would be for CIEP to create such a group under its auspices with representatives from

State, Treasury, CIA, Commerce, Agriculture, and the Federal Reserve at the very least, but CIEP has shown no interest in such a move. Moreover, a separate economic USIB would have to limit the scope of its studies to strictly economic matters, which would not allow the full range of support of which the intelligence community is capable.

3. Use and expansion of the existing USIB mechanism for economic estimates could give useful results and would not generate the problems of a separate economic USIB. To be effective, however, this approach requires two innovations: (1) NIEs would have to be linked more closely to current NSSM/CIEPSM planning procedures, and (2) selected non-USIB economic agencies would have to participate in USIB discussions in their area of interest. These agencies could include, depending on the topic of the NIE, Commerce, Agriculture, the Federal Reserve, Tariff Commission, and others. When the economic NIO is functioning, he could organize the estimative process, making use of OER and the rest of the economic intelligence community, as well as draw from outside consultants. Apart from creating less opposition, this approach would guarantee that economic factors were given appropriate consideration in primarily political and military estimates and vice versa. The number of purely economic estimates handled through this route, however, would be considerably smaller than the number of political and military estimates handled through USIB.

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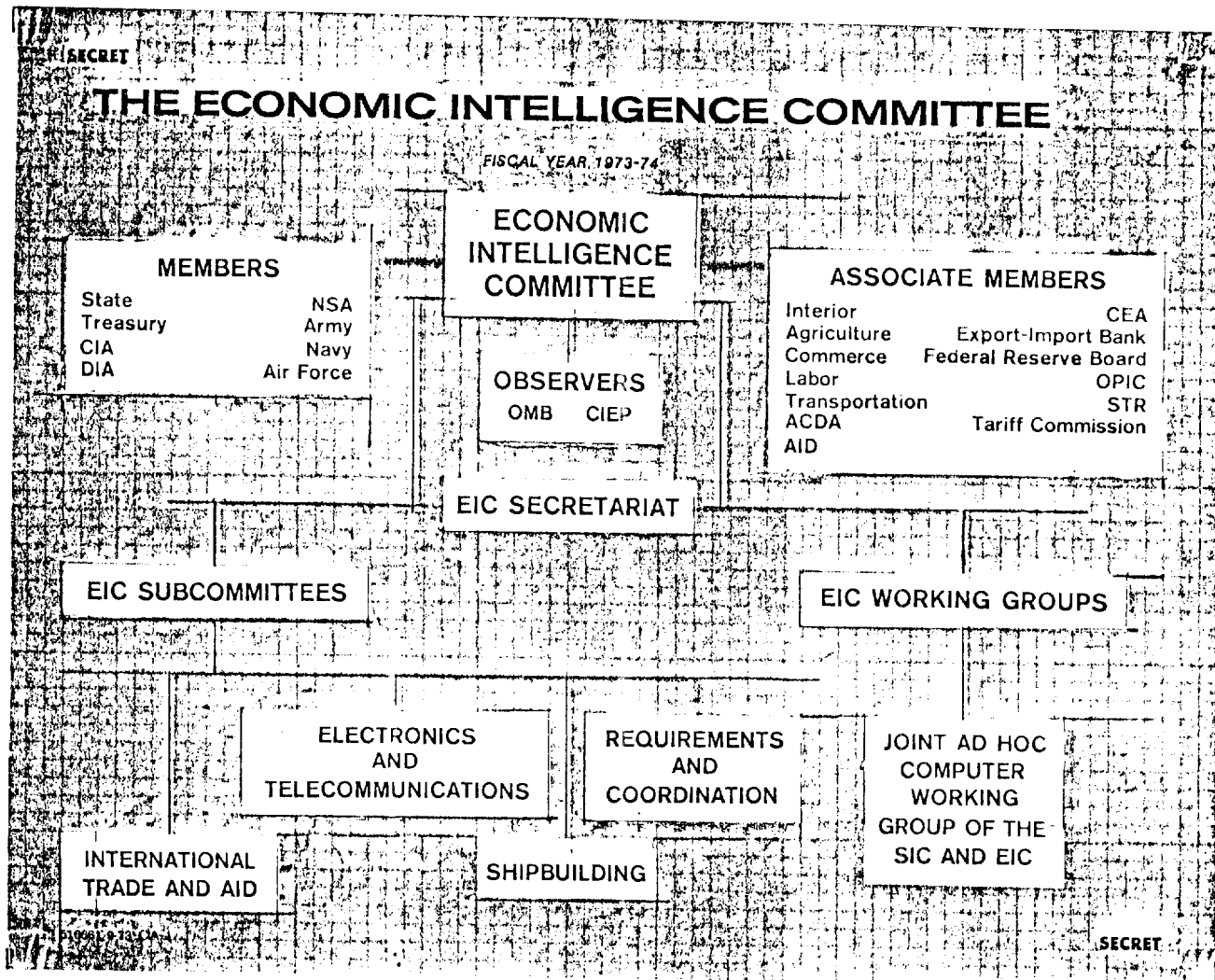
CIA: Foreign Economic Policy Support Role

A. Introduction

Economic policy support provided by CIA is a reflection of the unstructured process and the multiplicity of US government agencies responsible for the formulation of US foreign economic policy. Despite high-level Administration efforts to bring more centralized direction and control of economic policy under such groups as the Council on Economic Policy (CEP), the Council on International Economic Policy (CIEP) and the National Security Council (NSC), CIA support remains a highly ad hoc process. In part, this is due to the large role played by non-USIB economic agencies in the formulation and implementation of foreign economic policy. We are not fully tapped into their decision making process on many current economic issues nor are they always aware of or interested in receiving objective intelligence information and analysis. Also, CIA is not represented on numerous non-USIB inter-agency economic committees involved in foreign economic policy. (See Tab A).

CIA's role in supporting economic policy takes many forms; production of intelligence memoranda and reports on current policy related issues; responses to specific requests for economic analyses or data; and direct support to individual US policymakers. In addition, CIA through its chairmanship

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of the Economic Intelligence Committee of USIB is attempting to improve the coordination of economic research of its members, as well as identification of high priority economic requirements of both USIB and non-USIB members for collection by the various elements of our overseas missions. (See chart) The Agency's role in recent major economic policy issues is catalogued, in the following sections of this paper.

B. Support to CIEP, NSC and ONE

Major economic policy issues or initiatives that require extensive interagency study and coordination or issues that require immediate and up-to-date analysis, often in response to potential crisis situations, are the subjects of memoranda prepared under the direction of NSC and CIEP. These so-called NSSMs and CIEPSMs are the product of inter-agency efforts and generally, but not always, contain an intelligence input. These studies are usually chaired by State with the assistance of other agencies most directly involved. The table at Tab B lists CIA contributions to NSSM's, CIEPSM's and economic inputs to NIE's since January 1972.

It is apparent from this table that CIA has contributed heavily to priority Administration initiatives in normalizing economic relations with the Communist world, as well as specific bilateral economic problems involving over a dozen individual countries. This support continues strong in current policy

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debates and decisions on international energy and agriculture. Support on world trade and monetary matters has been provided on a less formal basis.

Other types of support also have been provided by CIA to these groups. For example, an OER professional on detail to CIEP was the principal author of CIEP's first annual International Economic Report to the President that was transmitted to Congress in March 1973. Analytical support for this report was provided by OER, as well as utilization of CIA reproduction services in order to ensure the inclusion of timely economic data up to the actual time of publication. Numerous other papers, economic data and briefings have been provided by request to NSC and CIEP over this period in support of policy issues.

Direct support also has been provided to Ambassador William Eberle, the President's Special Trade Representative (STR) in preparation for the GATT sponsored multilateral trade negotiations that were launched last month in Tokyo. Similar support was provided to Secretary Shultz in preparation for the recent international monetary negotiations in Nairobi as well as for his visit to Moscow as head of the US delegation to the periodic meetings of the US-Soviet Joint Commercial Commission.

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C. Support to Selected Policy Issues

CIA policy support, however, reaches far beyond support to the White House and executive level offices. It extends to some degree or other to the 23 USIB and non-USIB agencies involved in the formulation and execution of US foreign economic policy. The following policy areas in which CIA has provided substantial and often unique contributions attest to this fact.

1. Energy

As recently as the middle of last year, there was no overall US government energy policy. Domestic petroleum policy responsibilities were divided among the Department of the Interior, the Department of Commerce, and various regulatory agencies. International energy policy -- largely formulated by Peter Flanigan in the White House and James Akins in the Department of State's Office of Fuels and Energy -- was restricted to usually low-keyed support for US company positions in disputes with foreign governments. The intelligence community provided a flow of information and analysis to policy-makers in cases of nationalization and important tax and price negotiations. This intelligence flow generally had a very limited impact on policy, but in a few cases -- such as Peru's nationalization of the International Petroleum Company -- it appears to have been of major importance.

In late 1972 oil company warnings of an impending energy shortage and the rapid growth of US oil imports gave rise to high-level Administration interest in both domestic and foreign oil policy. This interest increased in 1973 and resulted in two major presidential energy policy speeches. The new policies enunciated by the President recognized the need for vastly increased imports over the next decade as well as the necessity of conservation, increased domestic exploration, new fuel research, and cooperation among the major consuming countries. The new emphasis on oil policy was reflected in the establishment of an "energy triumvirate" of Kissinger, Ehrlichman, and Shultz and the appointment of Charles DiBona as White House energy consultant. The other responsibilities of the men involved prevented the triumvirate from working as planned, and it was replaced by a single "energy czar," former Governor Love of Colorado.

The intelligence community role in energy policy decision making has grown apace with U.S. government concern. OER, in particular, has actively supported State, Interior, the National Security Council, and the White House Oil Policy Committee with estimates of worldwide consumption, production, and trade flows through 1985, scenarios of events that might result in oil embargoes, evaluations of various international oil-sharing plans, and studies of proposed natural gas arrangements with the Soviet Union, as well as providing reports and

analysis of current energy-related events. There has been a substantial OER input to two petroleum NIEs, and the energy NSSM and other NSC papers are heavily dependent on OER analysis. OER personnel, including the Acting Deputy Director, are active members of a number of energy committees and task forces. CIA reporting and analysis -- [REDACTED]

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[REDACTED] -- are regularly disseminated to high-level officials throughout the government, and there is every indication that they are having an impact on policy decision making.

2. Agriculture

In early 1972, US government policies on agriculture were determined, as they had been since World War II, by the US Congress and the Department of Agriculture, with the major considerations being given to maintaining US farm income at an acceptable level. The policies involved acreage restrictions, price supports, and maintenance of large surplus stocks. The intelligence community had limited impact on those policy decisions despite a continuing flow of intelligence reports. From January 1970 through June 1972, the Office of Economic Research (OER) published 80 intelligence reports (IMs and IRs) related to food and agriculture in foreign countries, mainly Communist countries. In general, these reports had little impact on agriculture policymakers in the USDA.

Since mid-1972, when the Soviets and the Chinese began making the large US grain purchase that quickly drew down the surplus stocks and raised domestic prices, the Treasury Department and various White House staffs have taken a more active role in formulating agricultural policy. Primary policy considerations have shifted to boosting rather than restricting production, improving the US balance of payments, reducing the impact of agricultural support on the US budget, and containing inflationary pressures stemming from agricultural shortages. The intelligence community role in these decisions has grown, mainly through White House and Treasury insistence that the USDA take note of the available intelligence. CIA participation has also grown in response to policymakers' concern with the critical world shortage of grain. OER is a central member of an inter-agency team formed in early 1973 to monitor the progress of the Soviet grain crop, and is writing regular reports on the subject that are more speculative than usual and aimed directly at US policy issues. These reports are disseminated to high-level officials at the Department of Agriculture, Commerce, Treasury, and State, the NSC, CEA, CIEP, and OMB. OER has also participated in meetings and studies ultimately concerned with setting US policy on agricultural export controls. OER is currently involved for the first time in preparing a NSSM on agriculture.

3. US-Soviet Economic Relations and East-West Trade

CIA support to various agencies has been substantial since January 1972, beginning with the issuance of NSSM 145/CIEPSM 20 on US-Soviet Trading Relationships in January 1972. Support was particularly heavy in preparation for the May 1972 Summit as both briefing and written support were made to Treasury, State, Commerce, Agriculture, CIEP and others. The inputs provided related not only to trade, but to Soviet industry, agriculture, fuels, raw materials, cooperative ventures and other topics. CIA support also picked up prior to the Peterson visit to Moscow in July 1972 to State, Commerce, Treasury, and CIEP. Additional inputs were made to State and Commerce for the visit of the Soviet delegation in October 1972 when the US-Soviet trade agreement was concluded.

Since the formation of Commerce's Bureau of East-West Trade in the Fall of 1972, CIA has been asked to provide extensive oral and written support to that bureau. Use of CIA Soviet shipping data was used exclusively by Commerce in renegotiating the terms of the recent US-Soviet Maritime Agreement.

Support relating to Eastern Europe has been provided from time to time throughout the period, particularly on Romania and Poland and on agriculture in Eastern Europe. NSSM 163/CIEPSM 24 issued in the fall of 1972 elicited very heavy support from CIA to the interagency group and to State.

Commerce and State have shown considerable interest in prospects for US-Soviet cooperation in the extraction of Soviet fuels (particularly gas) and other raw materials. Since the publication in January 1972 of an IR on the Potential of Soviet Trade with the US in Industrial Raw Materials, a number of reports have been produced. An IM published in February 1972 on Soviet LNG for the US produced for OEP was the first of several CIA efforts on the subject of gas and oil for Commerce and other agencies. The latest publication, published in August 1973 for the Shultz Moscow visit in October relates to the proposed North Star LNG project.

CIA has produced numerous assessments of Soviet, Chinese and East European technology in various industries in connection with trade controls. A recent major COCOM List Review and an interagency review of COCOM policy (NSDM 159) elicited heavy support from OER. Additional CIA support is being provided a CIEP study on US computer exports to Communist countries.

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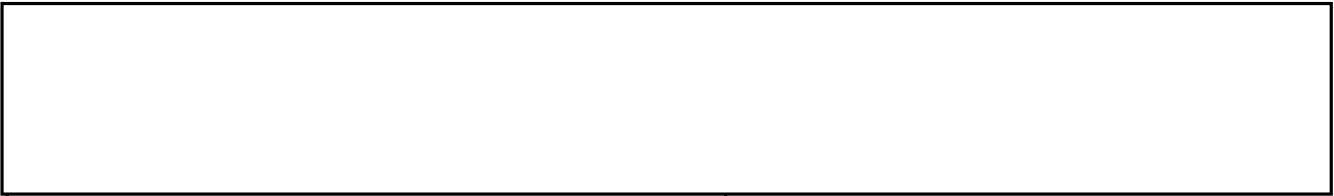
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Agencies participating in either the Trade Policy Committee or the Steering Group include Commerce, Agriculture, State, Treasury, Labor, STR, CEA, CIEP, OMB, the Tariff Commission, and the Federal Reserve System. The two policy groups are supported by working groups -- the Trade Staff Committee for the Trade Policy Committee and the Analytical Group for the Steering Group. Staff papers are prepared under the supervision of these groups.


CIA has no representatives on either the Trade Policy Committee or the Steering Group, but it does participate in the Trade Staff Committee and the Analytical Group. CIA is the only agency that participates in the working groups but is not represented at the policy level.

CIA has provided a heavy volume of reporting and analysis both on bilateral trade issues and for the Multilateral Trade Negotiations. In the area of bilateral issues, much of the work has been done at the request of STR or other agencies, although not specifically for the Trade Policy Committee.

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 CIA also provides continuing all-source background reporting on trade developments for Ambassador Eberle and Malmgren at STR.

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In the Multilateral Trade Negotiations area, most of CIA's work has been undertaken at the request of, and for, the Analytical Group. CIA, in fact, has probably been the most active participant in the Group.

5. International Finance

Interrelated issues have dominated economic policy-making in international finance: the state of the dollar in foreign exchange markets and multilateral negotiations on monetary reform. In both areas, the outlines of US policy essentially have been developed by the Volcker Group. This group, which is chaired by the Under Secretary of Treasury for Monetary Affairs, Paul Volcker, is the principal instrument for formulating US policy on international financial issues. No NSSMs, CIEPSMs, or NIEs have been prepared specifically on international finance, and little assistance from CIA has been requested.

Membership in the Volcker Group is at the Under Secretary level or its equivalent. Besides the Treasury Department, other participating agencies include State, the Federal Reserve System (including the Federal Reserve Board, Washington, and the New York Federal Reserve Bank), CEA, CIEP, OMB. The Executive Director at the International Monetary Fund, a Treasury employee, also attends Group meetings. The Volcker Group is supported by a working group at the Assistant Secretary level or its equivalent. Staff papers are prepared under the supervision of this group with most of the research and analysis provided by employees of the Treasury Department and the Federal Reserve System.

CIA has no representatives on the Volcker Group or the working group. Several CIA requests for participation have been refused on the grounds that the groups already have adequate expertise, and, they should be as small as possible in order to maintain confidentiality.

CIA, nevertheless, has provided a heavy volume of reporting and analysis both on the state of the dollar and on foreign views on monetary reform. Much of this has been done at the request of Treasury Secretary Shultz. During the monetary crisis last winter, for example, when the Treasury Secretary was in Paris for discussions with other finance ministers, CIA provided all-source reporting and analysis on overnight monetary developments. This reporting continued on a regular basis throughout the crisis. CIA also provided a briefing paper and follow-up reporting for the Secretary for his attendance at the recent IMF meeting at Nairobi, where the monetary reform issue was discussed. Other international financial subjects

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6. Nationalization Issues)

Although nationalization issues have surfaced throughout the LDCs, Latin America has been the focal point of investment disputes with expropriations in Peru, Chile,

and Guyana posing the thorniest problems for US policymakers. CIA support has taken various forms, ranging from telephone conferences and short articles in current intelligence publications to special intelligence memoranda and major contributions to NIEs and NSSMs dealing with these issues.

Nationalization issues dominated CIA's economic reporting on Chile throughout the Allende period. Treasury, State, CIEP, and OPIC were the main requesters for information on such matters as the status of US direct investment in Chile, OPIC exposure to loss resulting from expropriations, and Santiago's capacity to pay for nationalized properties. Extensive support was promoted to Treasury participants in Paris Club meetings and bilateral talks on Chilean debt renegotiation, in which outstanding copper compensation issues played a major role.

CIA gave heavy support to policymakers' deliberation on NSSM 168, US Policy Toward Peru -- a subject that is complicated by outstanding expropriation issues. In preparation for this NSSM, CIA produced a special Intelligence Memorandum at the request of Treasury in early 1972. Additional support was provided Treasury and State -- the major participants in deliberation on the subject. In recent months, CIEP has requested several papers and meetings on Cerro de Pasco's problems to support an ongoing review of US policy toward Peru.

CIA policy support on potential nationalization problems elsewhere in Latin America has included three IMs on Venezuela's and Ecuador's petroleum policies and a major contribution to an NIE, Venezuela, Oil and the United States. The expropriation of bauxite properties in Guyana was also the subject of an IM and several support papers for CIEP and OPIC. Investment disputes were also a major topic of a special briefing paper prepared for Mr. John Connally's trip to Latin America in 1972. In June 1973, a support paper was prepared for Treasury on the prospects for nationalistic actions against foreign investors by the new Peronist government in Argentina.

7. Economic Reconstruction in Vietnam

As early as mid-1971, CIA was approached by the NSC staff to project growth and capital needs of South Vietnam through the 1970s. Despite earlier contract efforts made at considerable expense both within and without the US government CIA shortly completed a study that became the benchmark for growth and aid planning. The confused security conditions of 1972 notwithstanding, Dr. Kissinger expressed continuing strong interest in work along this line, and another more detailed set of projections incorporating four security alternatives was completed for the period 1973-76. This work was repeatedly cited by US officials as invaluable in evaluating

South Vietnamese growth plans, and is still the starting point for work throughout the community on medium-term growth prospects. These two projects led to an urgent request in the spring of 1973 to help the NSC and AID reappraise South Vietnam's 18-month requirements before the San Clemente meetings between Presidents Nixon and Thieu. CIA continues to play an important informal role in alerting AID to international price and commodity problems that tend to drive up the costs of achieving assistance objectives.

Both our experience on South Vietnam and our unique intelligence capabilities on North Vietnam were sought by State beginning in late 1972 for help in estimating the costs of Hanoi's likely growth targets and evaluating North Vietnamese aid proposals. These responsibilities were transferred to the JEC delegation when it was organized, and we have provided them a weekly briefing series keeping our on-again, off-again negotiators up to date on both internal and external North Vietnamese economic affairs.

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Appendix I: Non-USIB, Inter-Agency Economic Committees

The annotated list of committees contained herein is limited to those that engage in some predictive or analytical effort rather than in policy determination solely. Also excluded are NSC ad hoc working groups established to respond to specific NSSMs, the FAR-CGs (regional consultative groups on external research chaired by appropriate INR office directors), other ad hoc inter-agency committees such as IGDI (Inter-Agency Group on Direct Investment) which disbanded in late 1971, CIEP, and the various committees that are involved with COCOM and US Export Controls.

1. Population. No committee is active in this field at the present time; the Inter-Agency Committee on Population has been dormant for several years.

2. Trade. The Trade Staff Committee is chaired by STR, and includes State, Treasury, Commerce, Agriculture, Defense, Interior, and Labor; Tariff is an ex officio member and CIA/OER has an observer status. Representation is at the Assistant Secretary level (or their designated representatives). It was established by an Executive Order pursuant to the Trade Expansion Act of 1962. Often it sets up working groups to examine a specific problem area, e.g., generalized preferences. It, in turn, reports to the Trade Executive Committee, which is at the Under-Secretary level.

The Analytical Sub-Group on Trade Negotiations, established in mid-1972, reports to the STR Steering Group on Trade Negotiations, which is chaired by Amb. Malmgren. The sub-group is also chaired by the Ambassador and includes representatives on a regular basis from State, Commerce, Treasury, Tariff, FRB, CIA/OER, OMB, CEA, and CIEP; other agencies are invited to attend when specific issues of interest to them are on the agenda.

3. Aid. The Inter-Agency Staff Committee reviews all PL 480 programs. It is chaired by Agriculture, which also supplies its Executive Secretariat. Membership includes State, OMB, Treasury,

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Commerce, Defense, and AID. Its authority goes back to the original PL 480 legislation. It has various subgroups such as one that focuses its attention on Title II (grants). The state of the economies of the recipient countries are reviewed.

The Development Loan Staff Committee is chaired by AID, and includes State, Treasury, Commerce, and the Export-Import Bank as voting members, and OMB, FRB, and Agriculture as observers. It reviews all perspective AID loans and housing guarantees on the basis of economic and financial analyses that run from 50 to 150 pages each, and which include assessments of the recipient countries' economies. Final determination is made by the Development Loan Committee -- composed of principals -- which is chaired by the AID Administrator.

(Notes: At an early stage the Capital Assistance Executive Committee meets on loan requests from the field; an affirmative decision -- at the Bureau level -- leads to the preparation of a loan paper by the Mission.

OPIC guarantees are not subject to inter-agency review.) *overseas Private Investment Corp.*

The Export Expansion Advisory Committee was set up to advise the Export-Import Bank on the appropriateness of applications to the Export Expansion Facility (the bank's high-risk window). It is chaired by Commerce and includes Export-Import Bank, Treasury, and State. Its guidance seems to have become pro forma (all ExIm loans above \$10 million are brought before the NAC -- see below).

4. Monetary. The Volcker Group consists of Paul Volcker for Treasury; William Dale, US Executive Director of IMF; the Under Secretary of State for Economic Affairs (which will be William Casey); Governor Dewey Daane of the Federal Reserve Board; Marina Whitman, CEA; and (probably) Peter Flanigan of CIEP. It is the highest-ranking body in our government that determines policy on international monetary issues. As a prelude to policy-making it engages in evaluation; as for example, an examination of various proposals for international monetary reform. It is the successor to the similar group created and chaired by former Under Secretary of Treasury Deming.

The National Advisory Council on International Monetary and Financial Policy (NAC). The NAC is chaired by the

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Secretary of the Treasury and includes the Secretaries of State and Commerce, the Chairman of the FRB, and the President of the Export-Import Bank. It is served by a committee of alternates at the Assistant Secretary level and by a Staff Committee composed of professionals from the Council agencies. Other government agencies participate by invitation at all levels on matters of concern to them. It was established in 1945 by the Bretton Woods Agreement Act to coordinate the policies and operations of the US representatives on the IMF, the IBRD, and the IDB as well as to review the transactions of the Export-Import Bank. Its present charter was established by Executive Order 11269 of 14 February 1966. Treasury supplies its Executive Secretariat, which is directed by Fred Springborn of OASIA. The Staff Committee, chaired by him, usually meets weekly at Treasury. It is here that Bill Dale receives his instructions on how to vote on issues coming before the IMF's Executive Board in the following week. Since 1966 the NAC has not reviewed the decisions of the Development Loan Committee (DLC). For the most part, the work of the NAC and its subordinate structure is of an operational nature. It does, however, from time to time engage in analytical work. Moreover, it submits an annual report to the President and to the Congress whose main purpose is to discuss in some depth specific international monetary and financial policy issues.

The Balance-of-Payments Forecasting Committee is an ad hoc technical group about eleven years old. It is chaired by Treasury (Lederer), and includes FRB, the New York Fed, State, Commerce (both BEA /Bureau of Economic Analysis/ and OFDI /Office of Foreign Direct Investments/), and sometimes CEA. Each quarter it prepares short-term forecasts of the US balance of payments.

5. In addition to the foregoing there are working parties and working groups that serve the US delegation at OECD. For example, in support of the work of the Economic Policy Committee, Treasury, FRB and CEA -- sometimes joined by State and Labor -- respond to specific requests on an ad hoc basis. Lastly, to state the obvious: the greatest economic coordination within the Washington foreign affairs community is done informally.

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